

# *National Aeronautics and Space Administration Advisory Council*



## **Audit and Finance Committee**

*July 16, 2009*

### **Members:**

*Mr. Robert Hanisee, Chairman*

*Hon. Ted McPherson*

*Hon. Michael Montelongo*

*Dr. Howard Stanislawski*



# Audit & Finance Committee

## Agenda

July 16, 2009

- I. NASA 2009 Financial Audit
- II. NASA Project Budgeting: Managing Risk and Uncertainty
- III. American Recovery and Reinvestment Act (“Stimulus Bill”) at NASA
- IV. Recommendation



# Audit and Finance Committee

## I. NASA 2009 Financial Audit

### 1. Status

- ✿ NASA 2009 Financial Audit process with Ernst & Young governed by NASA Office of Inspector General on schedule;
- ✿ Ernst & Young “cautiously optimistic” that Ernst & Young will be able to rely on NASA internal controls for line items other than Property, Plant, and Equipment and Unfunded Environmental Liabilities;
- ✿ Interim testing of a sample of transactions and balances will be conducted in August using June 30, 2009 data;
- ✿ Substantive testing on September 30, 2009 balances and financial statements with auditor’s opinion (?) late October.



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## NASA 2009 Financial Audit Cont'd.

### 2. Key Accounting Issues to be resolved

- Property, Plant, and Equipment (Material Weakness), especially “legacy” assets of Space Station and Shuttle (\$19 billion combined of NASA’s \$21.6B of Property, Plant, and Equipment)
  - Financial Accounting Standards Board pronouncement possibly in Fiscal Year 2009 allowing reasonable methods of estimating original transaction historical cost and accumulated depreciation;
  - New equipment such as Constellation being accounted for properly



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## Key Accounting Issues (contd.)

### Unfunded Environmental Liabilities

- About \$1 billion estimate for NASA Unfunded Environmental Liabilities for approximately 130 sites;
- Reportable Condition (Deficiency) for past 5 years at NASA;
- Improving Joint Review Process involving engineers, program staff, accountants, lawyers, etc. for establishing the estimate;
- About 50 of 130 sites are now in remediation resulting in engineering and contracting-based estimates for these sites;
- Present value cost estimate over 30-40 year timeframe based on assumptions validated by NASA staff in cost modeling software used by U.S. Navy, Integrated Data Evaluation and Analysis Library (IDEAL)
- Up to NASA staff in multiple offices to prepare this estimate on a reasonable basis satisfactory to Ernst & Young in a coordinated manner.



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## Key Accounting Issues (contd.)

### Other Issues

- ◉ Delays in closing out procurement contracts;
- ◉ Goddard single grant reconciliations;
- ◉ Intra-governmental accounting

### Valuable Accounting Results Achieved

- ◉ Vastly improved data integrity and accuracy of balances;
- ◉ Office of Chief Financial Officer staffing satisfactory;
- ◉ Improved working relationship amongst Office of Inspector General, Ernst & Young and NASA central and Center finance and accounting staff; further integration of related functions such as procurement important;
- ◉ Key Performance Metrics providing sound insight enabling prompt corrective action throughout NASA.

Note: See Congressional testimonies by Bob Hanisee, NAC Audit and Finance Committee and Ron Spoehel, NASA Chief Financial Officer, June 18, 2009.



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## II. NASA Project Budgeting and Execution: Managing Risk and Uncertainty

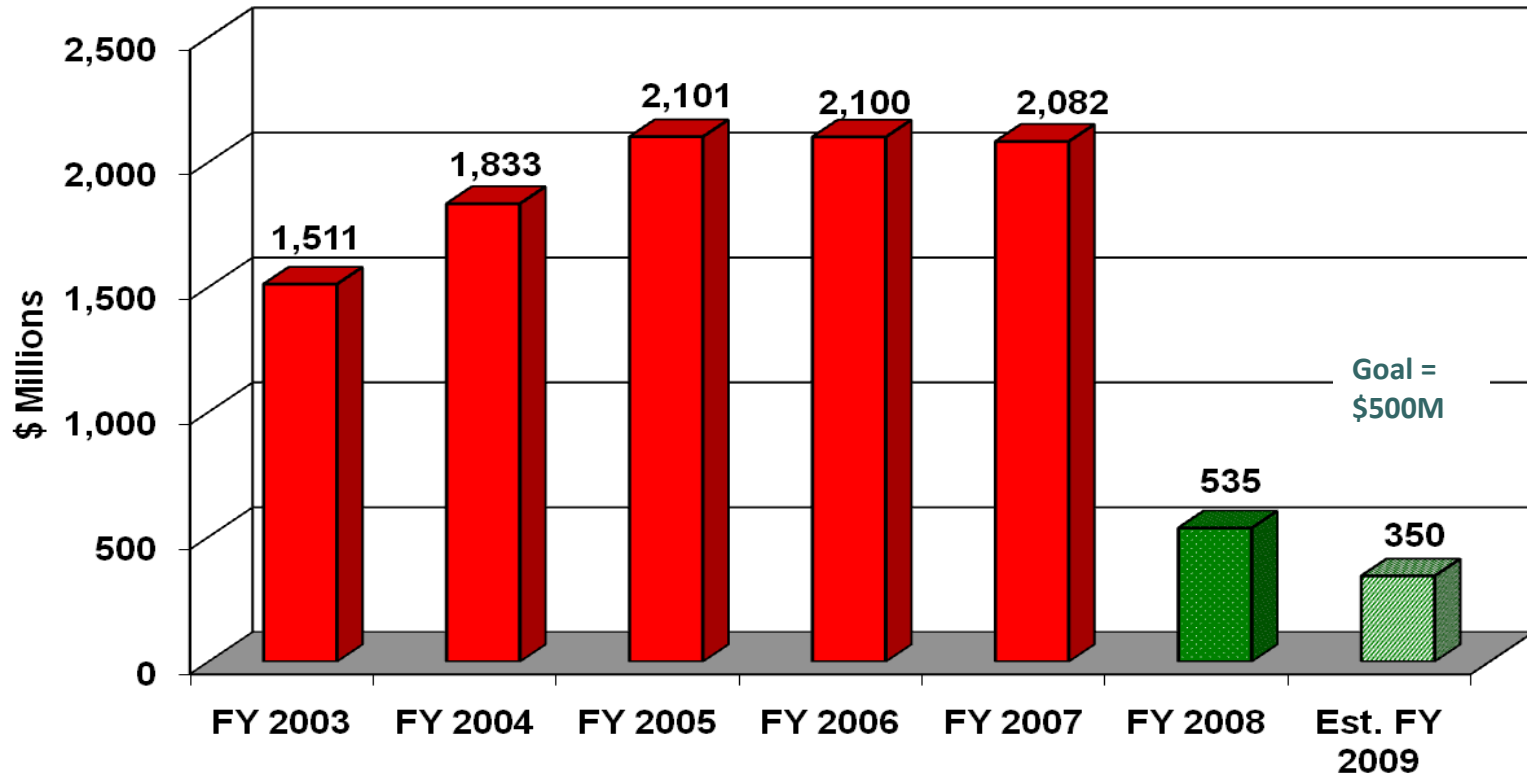
How to deal effectively with front-end speculative project cost estimates, complex engineering requirements, and short-term funding provided by Congress for long-term capital projects?

### Recent NASA Financial and Project Management enhancements:

1. “Phasing Plan” developed for Ron Spoehel, Chief Financial Officer

- Managing the pace of spending cash by NASA so as to invest in projects effectively through astute deployment of available funding.

## Agency EOY Unobligated Carryover Profile







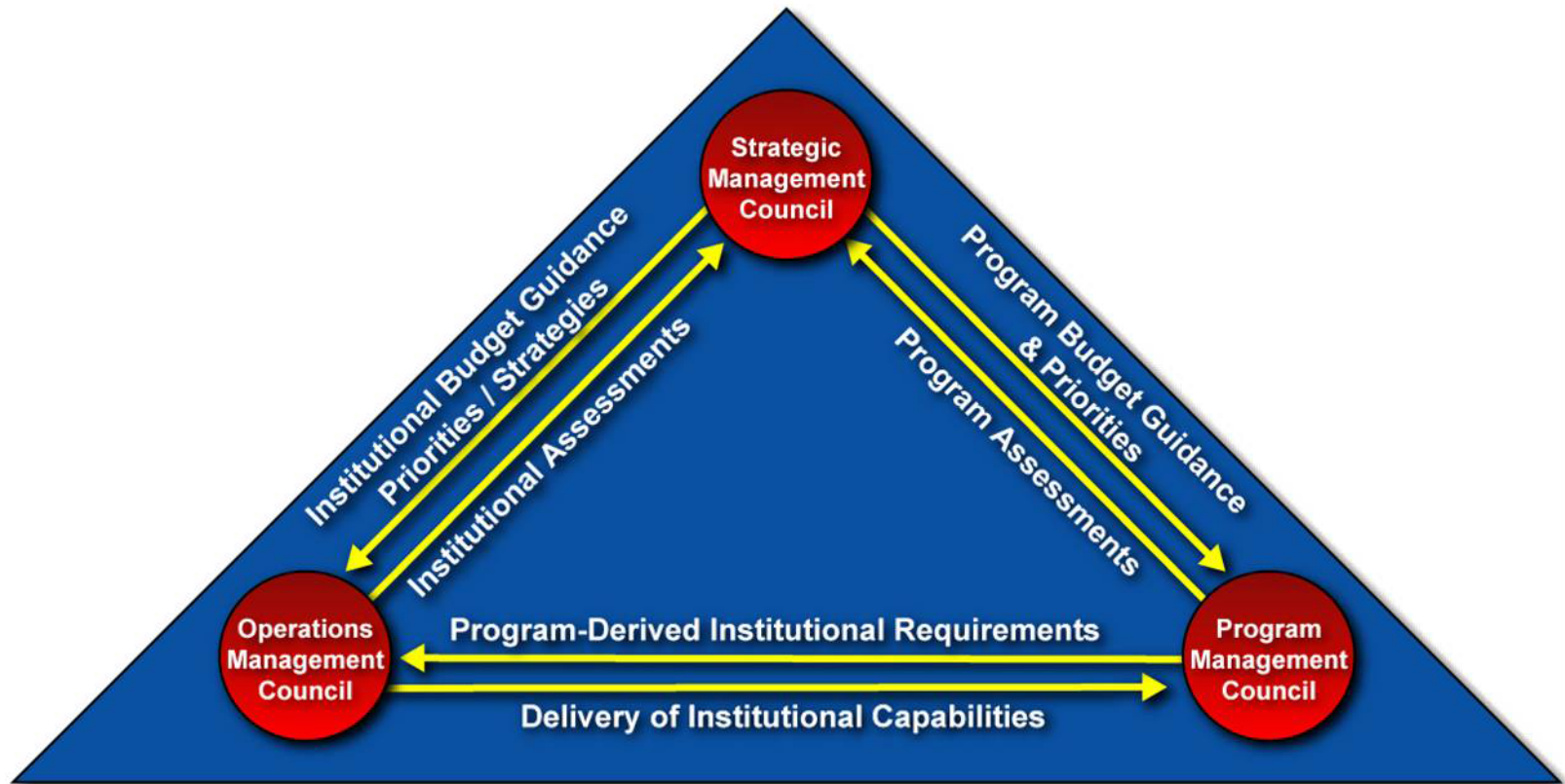
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## Recent NASA Financial and Project Management enhancements (continued):

2. Mike Hawes, Associate Administrator for Program, Analysis, and Evaluation

- NASA governance system

# NASA Governance





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## Recent NASA Financial and Project Management enhancements (contd):

### Enhancement of techniques:

- ◉ Joint confidence level: likelihood of meeting cost and schedule estimates
- ◉ Baseline Performance Review



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American Recovery and Reinvestment Act



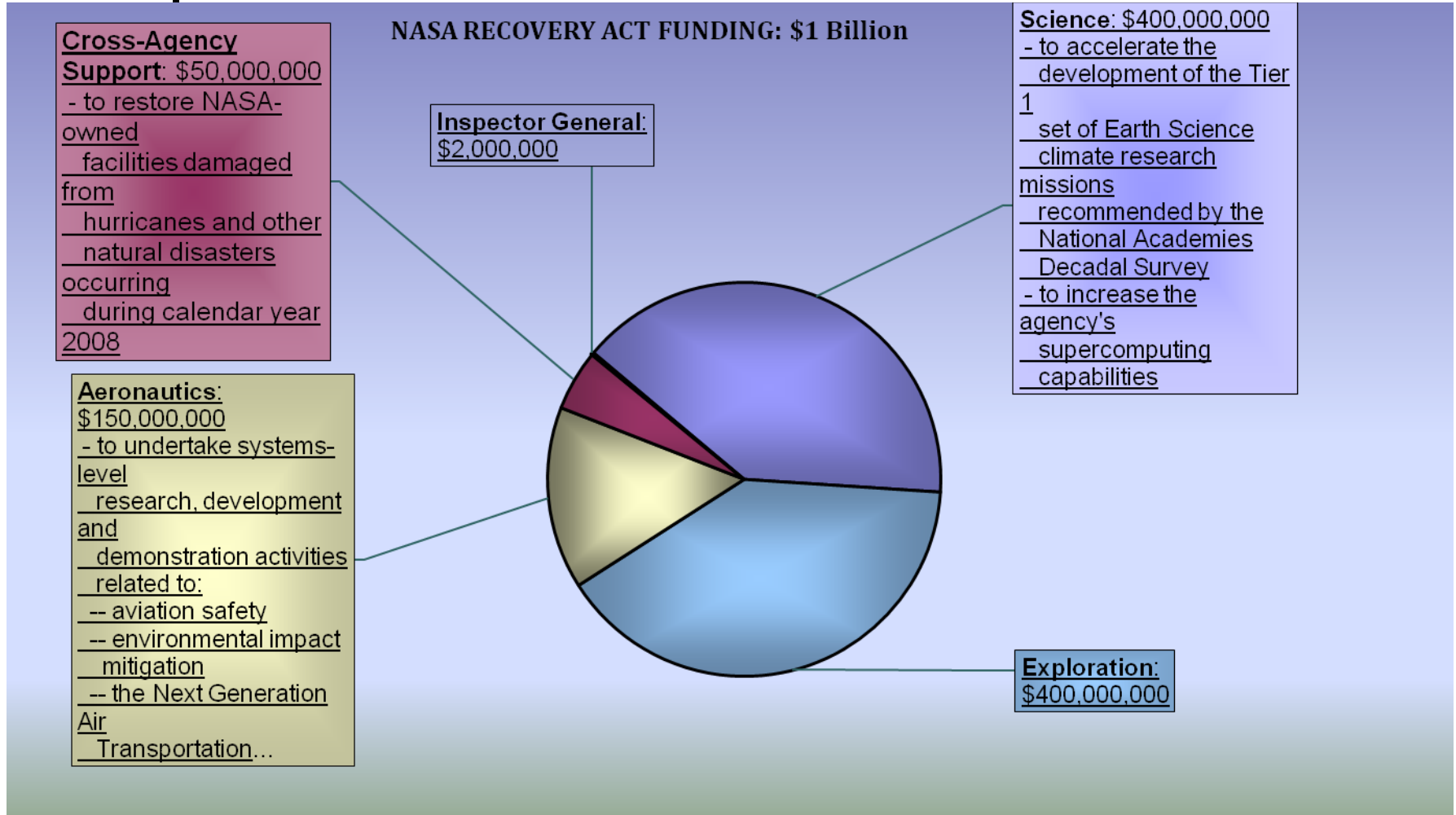
# Audit and Finance Committee

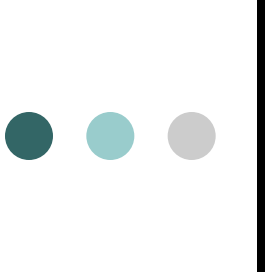
NASA Recovery Act (“Economic Stimulus”)

## The Funds

- \$1B
- 0.1% of total Recovery funds
- 6.0 % of NASA’s annual appropriation
- 2-year funds

# Recovery Act Overview

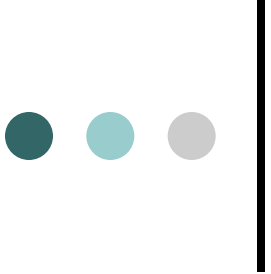




# Audit and Finance Committee Recovery Act (Continued)

## Governance

- Corporate/Enterprise-managed activity
  - Led by CFO, the Senior Accountable Official for Recovery Act activities
- Unprecedented transparency and accountability
  - Increased level of reporting on spending and performance data
  - Separate tracking and reporting; no “co-mingling” of funds
  - Recovery Act Accountability and Transparency Board (IGs)
  - OIG review and audit
- Structured and managed within an existing framework of Agency processes and tools
  - Planning, awarding funds, managing execution, overseeing contracts/grants done using NASA’s existing processes
- Linked to existing plans (programs/projects already underway)



# Audit and Finance Committee Recovery Act (Continued)

## Status

- May 15th NASA delivered to OMB an Agency-wide plan and five Program plans:
  - Aeronautics Research
  - Astrophysics
  - Constellation Systems
  - Earth Science
  - Institutional Investments





# **Audit and Finance Committee**

## **Recommendation**

The National Aeronautics and Space Administration's Advisory Council recommends that the new Administrator of NASA continue placing the high priority on effective financial management, accounting, and stewardship for NASA resources that have led to the valuable advances made in recent years in these matters at NASA.